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ABSTRACT

A Contractual Education Task Force was created by the Chancellor's Office of the California Community Colleges to study contractual education in the state's community colleges. All districts and colleges were surveyed regarding contractual education services offered between July 1982 and June 1985. Study findings, based on responses from 67 districts, included the following: (1) 58 districts had entered into at least one contractual education program; (2) community colleges reported entering into contracts totalling $41,872,511 during the 3-year period, of which 85% was from public training funds, 8% was from contracts with private industry, and 7% from contracts with public entities; (3) half of all contractual education classes were offered for community college credit; (4) programs supported by public training funds tended to be skills or occupational programs designed to prepare students for new jobs; (5) relatively few (22%) of the programs were open to the public; (6) over half of the instructors in contractual education programs were employed part-time; (7) the majority of the courses were either existing college courses (44%) or modifications of existing courses (35%), though 17% of the respondents indicated that contractual courses were developed specifically for the contracting company or agency; (8) contractual programs were offered in a variety of areas, with the most frequent programs being in business and management; and (9) each district operated its contractual education programs in a different manner. Task force recommendations concerning the role and mission of contract education; credit, non-credit, and not-for-credit contractual education classes; the role of foundations, auxiliary organizations, and other corporations; and program operations are appended, along with the text of Assembly Bill 3938. (EJV)

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BOARD OF GOVERNORS OF THE
CALIFORNIA COMMUNITY COLLEGES
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STUDY OF CONTRACTUAL EDUCATION PROGRAMS IN THE CALIFORNIA COMMUNITY COLLEGES

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For Information

Summary

The California Legislature, in Assembly Bill 3938 (Farr, Chapter 1662, Statutes of 1984), required a study of contractual education programs offered in community colleges. The legislation created a Contractual Education Task Force, whose members were to be appointed by the Chancellor, to prepare a study on the use of contractual education and to submit a report to the Chancellor and the Legislature on study findings by June 30, 1986.

The Task Force has completed its work and has submitted its final report to the Chancellor's Office and to the Legislature. The issues surrounding contractual education will be addressed in the 1987 workplan for the Chancellor's Office.

NOTE: The final report entitled **Study of Contractual Education Programs in the California Community Colleges, June 1986,** is being distributed separately and is not included in this agenda. The report is available on request from the Chancellor's Office Vocational Education Unit.

This item is for information only. It highlights the study findings and conclusions and in Appendix A, presents the twenty (20) recommendations made by the Task Force.

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Background

The initiation of a cap on growth for Average Daily Attendance (ADA) has made it increasingly difficult for colleges to meet the training needs of business and industry. In response to this restriction on ADA growth, contractual education, which provides specific educational services for a fee under a contract with business or industrial firms or other public entities, has grown as a method of delivery of vocational education. Concern about this growth and the impact it might have on traditional program offerings was expressed by many groups, including the community college faculty, administrators and faculty associations. The Legislature recognized this concern and, wanting to assess the scope and nature of contractual education, passed Assembly Bill 3938, which required a study of the use of contractual education programs by community colleges. (The provisions of AB 3938 that relate to the study are included as Appendix B.)

The legislation required the Chancellor to appoint a Task Force for the purpose of preparing a study and also required the Task Force to submit a report to the Chancellor and the Legislature on study findings. The findings were to cover a number of issues, such as:

> the scope and description of current practices in contractual education,
>
> the identification of barriers to and incentives for the utilization of contractual education; and
>
> the extent to which community college faculty members participate in contractual education programs.

The report of the Task Force was due no later than June 30, 1986.

A 22-person Task Force was appointed with representation from the five groups required by the legislation (community college districts, the statewide Academic Senate, exclusive employee representatives, private industry, and small business). The Task Force, through a request for proposals process, selected an independent contractor, Arthur Young and Company, to conduct the study.

The study consisted of three major data collection and analyses activities. A written survey was sent to all districts and colleges in the state regarding contractual education offered for the three-year period from July 1982 through June 1985. An analysis of responses was presented to the Board as a status report on the study during its March 1986 meeting. The second activity consisted of on-site case studies conducted in nine districts (Foothill-DeAnza, Long Beach, Los Angeles, Los Rios, San Diego, San Jose, Santa Monica, West Kern, and Yosemite). The last major activity was a survey of participating companies and public agencies that had contracted with the nine districts for educational programs to assess attitudes toward the community colleges as providers of contractual education programs.

The major findings of the study are presented below. The Task Force recommendations are presented in Appendix A.

SUMMARY OF TASK FORCE FINDINGS AND CONCLUSIONS

Specific findings from the survey of the 67 responding districts include:

1. The contractor found nothing in practice that appeared to be inconsistent with either the **Education Code** or the **Administrative Code**.

2. Of the 67 districts responding to the questionnaire, 58 had entered into at least one contractual education program.

3. Community colleges reported entering into contracts totalling $41,872,511 during the three years between 1982-83 and 1984-85. Eighty-five percent (85%) of this amount was from public training funds, eight percent (8%) was from contracts with private industry and seven percent (7%) was from contracts with public entities.

4. Half of all contractual education classes were offered for community college credit, in part because college personnel viewed offering classes for credit as a means of recruiting students into other, ADA-generating college classes.

5. Programs supported by public training funds tended to be skills or occupational programs designed to prepare students for new jobs.

6. Relatively few of the programs (22%) were open to the public.

7. Over half of the instructors in contractual education programs, 53 percent, were part-time; 34 percent, were full-time, regular community college faculty; the balance 13 percent, were other than full-time, special consultants or business/industrial personnel.

8. The majority of courses were either existing college courses (44%) or modifications of existing courses (35%). Of those responding, 17 percent indicated contractual courses were developed specifically for the contracting company or agency.

9. Contractual programs were offered in a wide variety of areas. The most frequent programs offered were business and management, which accounted for roughly 10 percent of all programs.

10. Each district, (and in some cases, each college) operated its contractual education programs in a different manner. Specific findings include:

    - Successful operations of contractual education programs appeared to require separate staff charged with developing and administering contract classes.

    - Districts that were active in contractual education programs had developed a standard set of fees, ranging from $60 per instructional hour for a course in the college catalog to $165 per hour for a customized class. All districts indicated their contracts with private industry or public agencies broke even or had a net income. Some districts indicated they had programs supported by public training funds that sustained a loss or deficit.

11. For-credit, closed classes that do not generate ADA were the most frequently observed option. Not-for-credit, closed classes offered on a strictly self-supporting basis were the second most frequently observed option.

    Less frequently-used options included for-credit, open classes that generate ADA; noncredit classes that generate noncredit ADA; and not-for-credit, community services classes offered on a fee basis.

12. For this study, academic freedom was defined as the right of the instructor to determine the course content and teaching methodology. Quality of instruction was defined as the ability of the instructor, assessed through careful teacher selection and evaluation.

    - The contractor found no evidence that academic freedom was being abused in contractual programs.

    - In 65 percent of the districts, contractual program instructors were evaluated according to the same process as applied to regular college faculty; thus, instructors in most not-for-credit classes were not formally evaluated.

13. Foundations, Auxiliary Organizations, and Other Corporations

    - Within the nine on-site, case study districts, there were three nonprofit, 501(c) corporations associated with colleges that offered contractual programs. Each of these corporations hired instructors to teach contractual classes at pay rates that differed from the district's regular salary schedules.

    - None of the three nonprofit, 501(c) corporations appeared to meet the definition of a community college auxiliary organization.

    - In one of three corporations, salaries of corporation staff were paid from the district General Fund.

    - Two corporations used the name of the district, as in "the _____ Community College District Foundation."

14. Perceived Barriers and Local Flexibility

    There were two areas in which a small percentage of both college and industry respondents felt barriers existed:

    - The cost of contractual education

    - The contracting process

15. Perceived Benefits

    - Both community college and industry respondents identified the strengthening of community ties as being among the top benefits of participating in contractual education programs.

- Community college personnel also frequently indicated the acquisition of state-of-the-art equipment, generation of additional income, and the opportunity to meet the training needs of the community as positive benefits.

- More industry respondents indicated they felt low cost was a benefit to participating in contractual programs with the community colleges than felt high cost was a barrier to participation.

- In the survey of companies and agencies participating in contractual programs with community colleges, nearly 88 percent indicated the programs definitely met their training needs. Almost all (98%) indicated they would be willing to contract again with a community college.

- The perceptions of former students in contractual programs were similar to their employers, with 87 percent indicating that the program had "definitely" met their training needs.

17. Role of Contractual Education

- Fifty-eight districts reported serving over 200 private companies throughout the State through direct contracts.

- Of the 618 programs listed as contracts with private industry, 395 (64%) were multiple programs with the same company.

Appendix A

CONTRACTUAL EDUCATION TASK FORCE RECOMMENDATIONS

At the inception of the study, concern was expressed by community college faculty and administrators regarding the control of curriculum offered in contractual education, the privatization of education, district support of contractual education, the use of foundations or other corporations to provide contract education, and the selection of faculty and determination of salary in contractual education. In addressing these concerns, the Task Force makes twenty (20) recommendations.

1. **The terms "contract education" or "contract instruction" should be used by the Legislature and the Chancellor's Office to refer to those situations in which a community college district contracts with a public or private entity for the purposes of providing instruction and/or services by the community college.**

   In developing this recommendation, the Task Force felt that "...certain terms should be defined. Historically, colleges have used a variety of terms to describe contracting with public or private entities for the purpose of providing instruction by the college. These terms include: contract education, contractual education, contracted education/ instruction, and contract instruction."

A. ROLE AND MISSION OF CONTRACT EDUCATION

The Task Force recommends:

2. **Participation in contract education programs or classes should remain a decision of the local district governing board.**

3. **That priority for contract education programs should be given to those programs that strengthen the existing college programs and are consistent with the mission of the local community college district.**

4. **The community colleges should be a major partner in the economic development activities of the State of California.**

5. **The Legislature should facilitate the utilization of public training funds by the community colleges. For example, the Legislature should alter the performance requirements of public training funds under its jurisdiction, such as the California Employment Training Panel, to permit payment to be made on the basis of identified milestones, one of which should be placement.**

   (Note: California Employment Training Panel negotiates a fee for each trainee, 75 percent of which can be paid at completion of certain milestones. However, the last 25 percent will not be paid until the trainee has been retained in employment for 90 days after the end of training with a single employer. Additionally, if a trainee is not placed or does not work the full 90 days with the same employer, the 75 percent must be paid back to the ETP.)

B. CREDIT AND NONCREDIT CONTRACT EDUCATION CLASSES

The Task Force recommends:

Course Approval

6. **The course curriculum in all contract classes offered for credit, whether ADA generating or not, and all noncredit classes that generate noncredit ADA should be approved by the district or college Curriculum Committee.**

7. **Modifications of previously approved courses to be offered as contract classes, whether credit or noncredit, should be approved by the college or district Curriculum Committee.**

Faculty Selection

8. **Faculty in all credit and noncredit contract classes should be selected according to existing district procedures for the selection of regular or hourly rate instructors for credit classes.**

Faculty Salary

9. **Faculty teaching contract classes offered for credit or noncredit should be compensated in the same manner as comparable faculty in the regular non-contract education college program , credit or noncredit, full-time or part-time as appropriate.**

Faculty Evaluation

10. **Evaluation of faculty teaching contract education classes offered for credit or noncredit should follow the same procedures as used to evaluate faculty in regular credit or noncredit classes, as appropriate.**

C. NOT-FOR-CREDIT CONTRACT EDUCATION CLASSES

The Task Force recommends:

11. **Faculty teaching not-for-credit classes should be compensated in the same manner as full-time or part-time faculty teaching in the regular program when the course is similar to a course in the credit curriculum.**

12. **Contracts for not-for-credit educational programs or services should specify procedures for faculty evaluation.**

13. **Those contract classes offered through community services must be self-supporting as mandated by existing law.**

D. ROLE OF FOUNDATIONS, AUXILIARY ORGANIZATIONS, AND OTHER CORPORATIONS

The Task Force recommends:

14. **The Legislature should determine the legality and propriety of 501(c) nonprofit corporations associated with but not under the control of the governing boards of local community college districts.**

(Note: 501(c) refers to the Internal Revenue Code section 501.c(3), which is the law that provides tax exempt status for private, non-profit foundations.)

15. **Nonprofit, 501(c) corporations not organized as auxiliary organizations that are conducting contract education programs should be prohibited from using the name of a community college district or a college of the district.**

16. **Nonprofit, 501(c) corporations not organized as auxiliary organizations that are conducting contract education programs should be prohibited from using community college district resources or staff without sufficient compensation to cover all costs.**

E. CONTRACT EDUCATION PROGRAM OPERATIONS

The Task Force recommends:

17. **Local community college districts unable to respond to the contract education needs in their individual service areas should be encouraged to form consortia to expand their capabilities.**

18. **Contract education programs and program administration should be self-supporting within a reasonable period of time. The self-support does not preclude the generation of ADA.**

19. **Local community college districts should identify and establish procedures to facilitate the contracting process within the district.**

20. **Districts should annually collect data regarding contract education programs for the purposes of comprehensive planning and accreditation.**

Appendix B

Assembly Bill No. 3938

Chapter 1662

An act to add Section 78008 to, and to add and repeal Article 5 (commencing with Section 71200) of Chapter 1 of Part 44 of, the Education Code, relating to community colleges, and making an appropriation therefor.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds that the number and scope of contractual agreements between community colleges and private and public agencies for the provision of specific educational services has increased rapidly over the past 10 years. In order to assess the scope and nature of contractual education programs, and their role in the overall mission of the community colleges, it is the intent of the Legislature that a study of contractual education programs in the community colleges be conducted.

SEC. 2. Section 78008 is added to the Education Code, to read:

78008. (a) The governing board of any community college district may establish, or with one or more community college districts may establish, contractual education programs within or outside the state by agreement with any public or private agency, corporation, association, or any other person or body, to provide specific educational programs or training to meet the specific needs of these bodies.

The contracting community college district or districts shall recover, from all revenue sources, including, but not limited to, public and private sources, or any combination thereof, an amount equal to, but not less than, the actual costs incurred in providing these programs or training.

The attendance of students in these contractual education programs shall not be included for purposes of calculating the average daily attendance for apportionments to these districts, unless all statutory and regulatory conditions for generating average daily attendance are met.

(b) On or before February 1, 1985, the Chancellor of the California Community Colleges shall appoint a task force for the purpose of preparing a study on the use of contractual education program by community college districts. The scope, size, and composition of the task force shall, at a minimum, include representatives from of the following:

(1) Community college districts, including at least one representative with practical experience in contractual education programs.

(2) Exclusive employee representatives, selected pursuant to Chapter 10.7 (commencing with Section 3540) of Division 4 of Title 1 of the Government Code.

(3) Private industry, including at least one representative with practical experience in contractual education programs.

(4) Small business.

(5) The statewide Academic Senate of the California Community Colleges.

(c) On or before January 1, 1986, the contractual education task force established pursuant to subdivision (a) shall submit a report to the chancellor and the Legislature. In the event that additional time is necessary and upon a majority vote of the task force, the deadlines for the report may be extended up to June 30, 1986. The report of the task force shall include, but not be limited to, all of the following:

(1) The identification of barriers to the utilization of contractual education programs by public agencies and private industry.

(2) Local flexibility deemed necessary for the delivery of contractual education programs by community college districts.

(3) The scope and description of current practices in contractual education programs conducted by public agencies and private industry.

(4) Existing state statutes and regulations and local ordinances and regulations regarding contractual education.

(5) The role of foundations, auxiliary organizations, and other corporations and agencies in the field of contractual education.

(6) The extent of overlap and duplication in the contractual education services provided by public and private entities.

(7) The effect of contractual education upon academic freedom and the quality of instructional programs.

(8) The extent to which community college faculty members participate in contractual education programs.

(9) The number of contractual education programs for which credit is given, compared to the number of programs conducted on a noncredit basis.

(10) The role of contractual education programs within the context of the overall duties and responsibilities of community college districts.

(d) It is the intent of the Legislature that the report prepared pursuant to subdivision (c) be transmitted to any entity designated by the Legislature to review the mission of the California Community Colleges.

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